



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER GARRARD COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

February 12, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable E. J. Hasty, County Judge/Executive
Honorable Ronald G. Wardrip, County Sheriff
Honorable Buddy Rogers, Former Garrard County Sheriff
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the former Garrard County Sheriff's Settlement - 1998 Taxes as of February 12, 1999. This tax settlement is the responsibility of the former Garrard County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Garrard County Sheriff's taxes charged, credited, and paid as of February 12, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we have presented a schedule of comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Former Sheriff Should Have Published The Tax Settlement

To the People of Kentucky

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Members of the Garrard County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
October 1, 1999

GARRARD COUNTY
BUDDY ROGERS, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

February 12, 1999

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 270,673	\$ 466,509	\$ 1,520,924	\$ 493,011
Tangible Personal Property	9,666	14,245	46,688	32,346
Intangible Personal Property				17,641
Bank Shares	617			2,625
Limestone, Sand, and Gravel Reserves	39	81	221	72
Franchise Corporation	25,642	41,677	127,503	
Increased Through Erroneous Assessments	47	145	263	89
Adjusted to Sheriff's Receipt	<u>(1)</u>	<u>24</u>	<u>15</u>	<u>5</u>
Gross Chargeable to Sheriff	<u>\$ 306,683</u>	<u>\$ 522,681</u>	<u>\$ 1,695,614</u>	<u>\$ 545,789</u>
<u>Credits</u>				
Discounts	\$ 3,407	\$ 5,767	\$ 19,028	\$ 6,726
Exonerations	1,761	3,178	9,797	3,794
Transferred to Incoming Sheriff	<u>36,144</u>	<u>62,168</u>	<u>202,680</u>	<u>67,619</u>
Total Credits	<u>\$ 41,312</u>	<u>\$ 71,113</u>	<u>\$ 231,505</u>	<u>\$ 78,139</u>
Net Tax Yield	\$ 265,371	\$ 451,568	\$ 1,464,109	\$ 467,650
Less: Commissions *	<u>11,566</u>	<u>13,819</u>	<u>46,851</u>	<u>20,163</u>
Net Taxes Due	\$ 253,805	\$ 437,749	\$ 1,417,258	\$ 447,487
Taxes Paid	253,445	437,083	1,415,257	446,809
Refunds (Current and Prior Year)	<u>360</u>	<u>666</u>	<u>2,001</u>	<u>678</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,009,284
3.20% on	\$	1,464,109
1% on	\$	165,305

The accompanying notes are an integral part of the financial statements.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT

February 12, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The former Sheriff's office tax collection duties were limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of February 12, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
February 12, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 1998 through January 4, 1999.

Note 4. Interest Income

The former Garrard County Sheriff earned \$4,173 as interest income on 1998 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the former Sheriff's office.

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COMMENT AND RECOMMENDATION

GARRARD COUNTY
BUDDY ROGERS, FORMER SHERIFF
COMMENT AND RECOMMENDATION

February 12, 1999

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Have Published The Tax Settlement

The former Sheriff had not published his annual tax settlement in a local newspaper. KRS 134.310 requires the settlement be published by September 1 of each year. By not publishing the tax settlement, Garrard county citizens are not receiving important information about their government operations. We recommend the Sheriff's office make the tax settlement publication a priority for the 1999 and future tax collections.

Management's Response:

Outgoing Sheriff forgot to submit tax settlement for publishing.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable E. J. Hasty, County Judge/Executive
Honorable Ronald G. Wardrip, County Sheriff
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Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Garrard County Sheriff's Settlement - 1998 Taxes as of February 12, 1999, and have issued our report thereon dated October 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Garrard County Sheriff's Settlement - 1998 Taxes as of February 12, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Garrard County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable E. J. Hasty, County Judge/Executive
Honorable Ronald G. Wardrip, County Sheriff
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Members of the Garrard County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 1, 1999

